

News Releases

NEWS RELEASE 05/22/02

FASB Issues Exposure Draft That Expands Disclosure Requirements for Guarantees

Norwalk, CT, May 22, 2002—In an effort to improve disclosures about loan guarantees, the Financial Accounting Standards Board (FASB) has issued an Exposure Draft of a proposed Interpretation, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*. The Exposure Draft is available on the FASB's website at www.fasb.org or may be obtained by contacting the FASB Order Department at 800-748-0659. The comment period concludes on June 21, 2002.

The proposed Interpretation would clarify and expand on existing disclosure requirements for guarantees, including loan guarantees. It also would require that at the time a company issues a guarantee, the company must recognize a liability for the fair value, or market value, of its obligations under that guarantee. By improving its disclosures and accounting, a company provides a more representationally faithful picture of its financial position and the risk it has assumed.

The Interpretation does not address the subsequent measurement of the guarantor's recognized liability over the term of the guarantee. It also would incorporate, without change, the guidance in FASB Interpretation No. 34, *Disclosure of Indirect Guarantees of Indebtedness of Others*, which is being superseded.

This guidance would not apply to guarantee contracts issued by insurance companies, a lessee's residual value guarantee embedded in a capital lease, contingent rents and price rebates. The provisions related to recognizing a liability at inception for the fair value of the guarantor's obligations would not apply to product warranties or to guarantees accounted for as derivatives.

About the Financial Accounting Standards Board

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NEWS RELEASE 05/20/02

FASB Adds Revenue Recognition Project to Its Agenda

Norwalk, CT, May 20, 2002—In an effort to provide better and more comprehensive guidance as to when companies should record revenues, the Financial Accounting Standards Board (FASB) has added a project on revenue recognition to its agenda.

"Revenue usually is the largest item in financial statements, and revenue recognition issues top the list of reasons for financial reporting restatements. The FASB's proposed project would address such matters by developing one accounting standard that would apply to a broad range of industries," commented L. Todd Johnson, FASB Senior Project Manager.

As part of its project on revenue recognition, the FASB will seek to eliminate inconsistencies in the existing accounting literature and accepted practices, fill voids in the guidance that have recently emerged and provide further guidance for addressing issues that arise in the future.

The Board decided that, in the interim while the standard is being developed, the Emerging Issues Task Force should continue to provide guidance on issues of revenue recognition based on the existing authoritative literature.

In developing the revenue recognition standard, the Board has decided to reconsider, as necessary, the guidance pertinent to revenue recognition in its Concepts Statements, particularly that in FASB Concepts Statement No. 5, *Recognition and Measurement in Financial Statements of Business Enterprises*.

Because of the interrelationships and interdependencies of the issues to be addressed, the Board decided that the project will be addressed in two parts that will be developed simultaneously. One part will take a "bottom-up" approach that provides an inventory of existing revenue recognition guidance and accepted practices; that inventory will help identify inconsistencies and gaps in the literature that need to be resolved. The other part will take a "top-down" approach that focuses on the conceptual guidance. The process of developing guidance at the concepts level and standards level will be iterative in that the Board will test its tentative conclusions about the conceptual guidance by applying it to specific revenue recognition issues identified in the inventory, which might indicate the need for further improvements in the concepts. The simultaneous pursuit of the two parts will not only facilitate the iterative process but also expedite completion of the project.

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NEWS RELEASE 05/13/02

FASB Publishes Exposure Draft, *Acquisitions of Certain Financial Institutions*, That Amends Statements 72, 144 and Interpretation 9

Norwalk, CT, May 13, 2002—The FASB has issued an Exposure Draft, *Acquisitions of Certain Financial Institutions*, that amends two existing accounting standards and an Interpretation to increase consistency of financial reporting. The proposed change would require that all financial institution acquisitions, except for those between two or more mutual enterprises, be accounted for under Statements No. 141, *Business Combinations* and 142, *Goodwill and Other Intangible Assets*. A copy of the [Exposure Draft](#) is available on the FASB's website at www.fasb.org. The comment period concludes on June 24, 2002.

The Exposure Draft would amend Statement No. 72, *Accounting for Certain Acquisitions of Banking or Thrift Institutions*, and Interpretation No. 9, *Applying APB Opinions No. 16 and 17 When a Savings and Loan Association or a Similar Institution Is Acquired in a Business Combination*, to remove from their scope all financial institution acquisitions, except for transactions between two or more mutual enterprises. Those transactions would be accounted for under FASB Statements 141 and 142, prospectively. In addition, the proposed Statement would amend Statement No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, to include certain long-term customer relationship intangible assets, such as depositor- and borrower-relationship assets, and credit-cardholder intangible assets.

The amendments to Statement 72 and Interpretation 9 would be effective for transactions completed after a final Statement is issued. The amendment to Statement 144 would be effective upon issuance of a final Statement.

The Exposure Draft would require that unidentifiable intangible assets previously recognized under Statement 72 be reclassified and accounted for as goodwill if both of the following criteria are met: (1) the transaction in which the unidentifiable intangible assets arose was a business combination and (2) intangible assets required to be separately recognized under Statement 141 were recognized apart from the unidentifiable intangible asset in that transaction and accounted for separately after the date of acquisition.

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NEWS RELEASE 05/01/02

FASB Exposure Draft Amends Definition of a Derivative and Statement 133 to Provide for More Consistent Accounting

Norwalk, CT, May 1, 2002—Today the Financial Accounting Standards Board (FASB) issued an Exposure Draft, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities*. The Exposure Draft amends Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*, to clarify the definition of a derivative. A copy of the [Exposure Draft](#) is available on the FASB's website at www.fasb.org. The comment period concludes on July 1, 2002.

In connection with Statement 133 Implementation Issue No. D1, "Application of Statement 133 to Beneficial Interests in Securitized Financial Assets," the Board addressed issues related to the accounting for beneficial interests in securitized financial assets, such as beneficial interests in securitized credit card receivables. In resolving those issues, the FASB decided that an amendment was needed to clarify the definition of a derivative, as set forth in Statement 133.

The purpose of the Exposure Draft is to improve financial reporting by requiring that financial contracts with comparable characteristics be accounted for in the same way. The Statement would clarify under what circumstances a financial contract—either an option-based or non-option-based contract—with an initial net investment would meet the characteristic of a derivative discussed in paragraph 6(b) of Statement 133. The FASB believes the proposed change will produce more consistent reporting of financial contracts as either derivatives or hybrid financial instruments.

The proposed effective date for the accounting change is the first day of the first fiscal quarter beginning after November 15, 2002, which, for calendar year end companies, will be January 1, 2003.

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NEWS RELEASE 04/30/02

FASB Issues Financial Accounting Statement No. 145

Norwalk, CT, April 30, 2002—Today the Financial Accounting Standards Board (FASB) issued Statement No. 145, *Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections*. The Statement updates, clarifies and simplifies existing accounting pronouncements. The Board added this project to its agenda last August in response to constituent requests to revisit the accounting for gains and losses from the extinguishment of debt. "This was particularly important to those operating in the secondary lending market because the use of debt extinguishment is a part of their day-to-day risk management activities and Statement 4, issued in 1975, no longer addressed the needs of a changed marketplace," commented Cathy Coburn, Project Research Associate.

Statement 145 rescinds Statement 4, which required all gains and losses from extinguishment of debt to be aggregated and, if material, classified as an extraordinary item, net of related income tax effect. As a result, the criteria in Opinion 30 will now be used to classify those gains and losses. Statement 64 amended Statement 4, and is no longer necessary because Statement 4 has been rescinded.

Statement 44 was issued to establish accounting requirements for the effects of transition to the provisions of the Motor Carrier Act of 1980. Because the transition has been completed, Statement 44 is no longer necessary.

Statement 145 amends Statement 13 to require that certain lease modifications that have economic effects similar to sale-leaseback transactions be accounted for in the same manner as sale-leaseback transactions. This amendment is consistent with the FASB's goal of requiring similar accounting treatment for transactions that have similar economic effects.

This Statement also makes technical corrections to existing pronouncements. While those corrections are not substantive in nature, in some instances, they may change accounting practice.

Statement 145 may be ordered from the FASB website at www.fasb.org or by telephoning the FASB's Order Department at 800-748-0659.

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NEWS RELEASE 04/24/02

Financial Accounting Foundation Changes Financial Accounting Standards Board's Voting to Increase Efficiency

Norwalk, CT, April 24, 2002—In following up on its proposals made in March to increase the efficiency of the Financial Accounting Standards Board's (FASB's) process, the Financial Accounting Foundation (FAF) has decided to change the FASB's voting process from a supermajority to a simple majority vote. The decision, which received unanimous support, was made by the FAF Trustees at its quarterly meeting held in Washington, D.C. The change in voting of the seven-member FASB is effective immediately.

As part of its commitment to a strong, transparent and rigorous accounting standard-setting system, last month the FAF issued for public comment a set of proposed changes to increase the efficiency of the FASB's process. The proposals included a reduction in the size of the FASB from seven to five members, a simple majority versus supermajority vote and shortened comment periods.

After full discussion of those recommendations and a review of comment letters, the Trustees determined that a change from a 5-to-2 to a 4-to-3 member voting requirement would make for a more efficient process without compromising the quality of the FASB's standard-setting process. The Trustees decided to retain a seven-member board.

"The FAF recognizes the need for the FASB to accelerate its standard-setting process and, in that spirit, we believe that the FASB will benefit by adopting a simple majority vote," commented Manuel H. Johnson, FAF Chairman. "We view this decision as an important change that will enhance the FASB's process while maintaining its open due process that is critical to establishing high-quality accounting standards."

In addition to its ongoing review of the FASB, the Trustees will seek the recommendations of the FASB's newly named Chairman, Robert H. Herz, after he has assumed his new post and has had an opportunity to review the FASB's operations. As announced earlier today, Mr. Herz will become FASB Chairman on July 1, following completion of current Chair Edmund L. Jenkins' term.

FASB Reorganizes its Research and Technical Activities

At its meeting yesterday, the FAF also discussed the FASB's reorganization of its research and technical activities to address increasing demands on staff and other resources. A study, commissioned by the FASB in the latter part of 2001, determined that the Board would be best served by reallocating its research and technical activities' functions across three distinct sections versus one that had been in place previously. The three sections report to the Chairman of the FASB.

The three new directorships and their charges cover the following areas (1) major projects and technical activities, (2) technical application and implementation activities and (3) planning, development and support activities.

The FASB has drawn from its staff to fill two of the three positions. Suzanne Q. Bielstein, formerly Assistant Director, Research and Technical Activities, is Director, Major Projects and Technical Activities. Kimberley R. Petrone, formerly Project Manager, and who most recently completed work on the business combinations project, is Director, Planning, Development and Support Activities. The Director, Technical Application and Implementation Activities will serve as Chair of the EITF. Until that position is filled, G. Michael Crooch, an FASB Board member, serves as the EITF Chair.

About the Financial Accounting Standards Board and the Financial Accounting Foundation

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The Financial Accounting Foundation is responsible for funding, overseeing and selecting the members of the FASB and the Governmental Accounting Standards Board (GASB). For more information on the organizations it oversees, visit the Foundation's websites at www.fasb.org and www.gasb.org.

NEWS RELEASE 03/19/02

FASB Chairman Comments on Proposed Legislation

Norwalk, CT, March 19, 2002—In commenting on two bills recently introduced in Congress that include provisions concerning the Financial Accounting Standards Board ("FASB"), Edmund L. Jenkins, Chairman of the FASB stated, "The commitment to the FASB's independence and open due process that is expressed in the two bills is very important as we address issues related to the Enron matter."

"We appreciate the commitment to supporting and strengthening the FASB's independence embodied in the proposed legislation," Mr. Jenkins added, "but we caution Congress that *any* legislation mandating particular actions or procedures by the FASB can compromise the very independence that the legislation seeks to enhance."

"The Investor Confidence in Public Accounting Act of 2002," introduced on March 7, 2002, by Senators Christopher J. Dodd (D-Connecticut) and Jon Corzine (D-New Jersey) (the "Investor Act") would require that the Securities and Exchange Commission ("SEC") recognize generally accepted accounting principles established by the FASB if certain qualifications are met. Those qualifications include that the FASB be funded solely by "fees and charges assessed against each issuer" and "by revenues collected from the sale of materials and publications produced by that body." It also would require that the FASB submit an annual report to Congress and other parties.

"The Truth and Accountability in Accounting Act of 2002," introduced on March 14, 2002, by Representatives John D. Dingell (D-Michigan), Edolphus Towns (D-New York) and Edward J. Markey (D-Massachusetts) (the "Accounting Act") would require that the SEC annually conduct a review of "unresolved accounting standards issues" and issue a report to Congress and the FASB describing those issues. It also would require that the FASB submit to the SEC and Congress a response to the SEC report.

In further responding to the Investor Act and the Accounting Act, Mr. Jenkins stated, "We appreciate the sponsors' support of, and commitment to, private-sector accounting standard setting. And, while we are confident that the FASB's current funding structure has not impaired our independence, we do support the Investor Act's provisions creating a fee-based source of funding for the FASB."

Despite general support of a fee-based source of funding, Mr. Jenkins cautioned that "to accept government-collected fees as a replacement of the current private-sector contributions to the not-for-profit Financial Accounting Foundation that has historically funded the FASB, such fee-based funding *must* be free of substantive conditions, adequate in amount, and not subject to the type of Congressional or executive branch review that invites interference with the technical decisions and independence of the FASB."

As to the other provisions of the bills, Mr. Jenkins cautioned, "Even limited and well-intentioned provisions like those contained in the Investor Act and the Accounting Act could compromise the independence of the FASB and the transparency of information that investors receive. The greater the involvement of Congress and the executive branch in the activities of the FASB, the greater the potential for harmful political pressures on the standard-setting process. As shown in the past, those pressures inhibit objective, neutral and timely resolution of important financial reporting issues. Resolution of accounting issues in an independent manner is essential to maintaining and enhancing the highest quality accounting standards in the world."

"The standards developed by the FASB over the past quarter century have provided the backbone for our nation's vibrant capital markets because of the transparent, credible and reliable nature of the information that results from their proper application," Mr. Jenkins stated. "Impairment of the FASB's independence by legislation could have a negative impact upon the quality of that information and, consequently, the longstanding competitive advantage of the U.S. capital markets."

"We look forward to working with Senators Dodd and Corzine, Representatives Dingell, Towns and Markey, and others to ensure that the FASB continues to efficiently and effectively fulfill its mission of establishing and improving accounting standards that, when followed, result in the transparent, credible and reliable information needed by today's investors."

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